

## Message Text

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ACTION AGR-08

INFO OCT-01 EA-06 ISO-00 EB-07 L-02 /024 W

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P 100939Z FEB 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 502

INFO AMEMBASSY BANGKOK

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

C O N F I D E N T I A L MANILA 1792

PASS AGRICULTURE/WILLIAMS/COT DIV/FAS

E.O. 11652: GDS

TAGS: ETRD, EAGR, RP

SUBJECT: OVERDUE COTTON CONTRACTS

1. ECON/COM COUNSELOR AND AGATT MET WITH DBP CHAIRMAN LEONIDAS VIRATA AND MRS. ALICIA REYES OF DEVELOPMENT BANK OF THE PHILIPPINES FEB 7 TO DISCUSS GOP PROPOSED SOLUTION OF OVERDUE COTTON CONTRACTS.

2. ACCORDING TO REYES, OF \$10 MILLION IN CCC CREDITS USED ON L/CS APPROVED TO DATE, ABOUT \$9.5 MILLION WERE APPLIED TO OVERDUE CONTRACTS.

3. ESSENTIAL ELEMENTS OF GOP PROPOSAL WERE:

A. DBP WILL GRANT BENEFITS FULLS THREE-YEAR CCC TERMS TO THE MILLS;

B. DBP WILL REVISE THE 12.5 PERCENT PRIOR DEPOSIT REQUIREMENT; AND

C. PHILIPPINE NATIONAL BANK WILL EXTEND LOANS TO TEXTILE MILLS AGAINST FINISHED GOODS INVENTORY.

4. IN RETURN, THE GOP REQUESTS THAT AN ADDITIONAL CCC LINE OF UP TO \$30 MILLION BE MADE AVAILABLE FOR USE IN THIS FISCAL YEAR, EARLY NEXT FISCAL YEAR OR BOTH, TO HELP EASE THE FINANCIAL BURDEN. DBP PROMISED ON PREMISE THAT  
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ADDITIONAL CCC CREDITS WOULD MATERIALIZE THAT L/CS WOULD BE

OPENED ON ALL OVERDUE CONTRACTS BEFORE END OF CALENDAR YEAR 1975, INCLUDING BY MILLS WHICH HAVE EXCESSIVE VOLUME UNDER CONTRACT.

5. IN PRELIMINARY WAY, VIRATA, WHO SAID HE WAS DESIGNATED TO SPEAK FOR THE CABINET, WAS INFORMED THAT CCC CREDIT SITUATION APPEARED TIGHT BUT THAT EMBASSY WOULD OF COURSE TRANSMIT GOP REQUEST. IT WOULD BE HELPFUL, HOWEVER, IF NEW LINE REQUESTED COULD BE SHOWN TO BEAR DIRECTLY ON SOLUTIONS PROBLEM AS THOSE OUTLINED BY VIRATA AND REYES. THUS, BEFORE SUBMITTING A FINAL GOP REQUEST IT WOULD BE IMPORTANT TO AGREE ON VALUE OF ALL OUTSTANDING CONTRACTS, INCLUDING OVERDUES, AND PARTICULARLY TO BE AWARE OF ANY OVERDUES WHICH TRADE NOT REPORTING. (REYES SAYS CERTAIN U.S. FIRMS HAVE WITHHELD NAMES OF OVERDUE L/C CULPRITS WHERE THESE HAVE BEEN GOOD CUSTOMERS).

6. TO PROCEED ALONG FOREGOING PATH AND TO KEEP MOMENTUM, NEED FOLLOWING INFORMATION AS SOON AS POSSIBLE:

- A. VALUE OF OVERDUE CONTRACTS AS OF FEBRUARY;
- B. VALUE OF ALL CONTRACTS FOR PERIOD MARCH-JULY;
- C. INDICATION OF VOLUME OVERDUE BUT NOT LISTED

WITH ACSA (AGATT ALSO INFORMED BY ANOTHER CONTACT OF THIS SITUATION).

TO BE SURE WHERE WE STAND, NEED FROM COTTON SHIPPERS TOTAL VALUE OF THESE CONTRACTS.

7. AS SOON AS INFORMATION REQUESTED IN PARA 4 IN HAND, GOP WILL PROVIDE OFFICIAL TEXT OF PROPOSAL.

8. WHILE GOP PROPOSAL INVOLVES A SOFTLY-STATED QUID PRO QUO, WE DOUBT THAT PROPOSAL IN PRESENT GENERALLY HELPFUL SHAPE WILL SURVIVE WITHOUT FAVORABLE ACTION ON CCC CREDIT REQUEST. WE THINK THERE IS SOME WATER IN THAT AND WILL ENDEAVOR TO SQUEEZE IT OUT WHEN WE HAVE THE INFO REQUESTED PARA 4. SULLIVAN

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## Message Attributes

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**Disposition Comment:** 25 YEAR REVIEW  
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